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C O N F I D E N T I A L SECTION 01 OF 04 ADDIS ABABA 002609

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AF FOR DAS YAMAMOTO

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SUBJECT: ETHIOPIA: SCENESETTER FOR THE VISIT OF LTG R.
STEVEN WHITCOMB

Classified By: AMBASSADOR VICKI HUDDLESTON FOR REASONS 1.4 (B) AND (D)

¶1. (C) SUMMARY: 1. (C) Welcome to Addis Ababa! Your visit comes as the country works to rebuild public confidence in democratic institutions and cope with potential threats on its borders with Eritrea and now Somalia. Ethiopia remains a strong U.S. partner in the global war on terrorism. The democratic process is moving forward with dialogue between the ruling EPRDF and all opposition parties on a package of political reforms. Economic reforms are also progressing, with an growing diversification of exports and substantial progress on education and health care. The ONLF insurgency in the Ogaden region and OLF activities in Oromiya, both backed by Eritrea, pose a growing threat to the government. According to a recent UN report on Somalia, ONLF and OLF fighters are allied with the Islamic Courts. Embassy Addis is working with the African Union on implementing USG support to peace efforts in Darfur. Your visit is an opportunity to engage with senior Ethiopian and African Union officials, as well as other leaders, concerning the situation in Somalia, Darfur, the Ethio-Eritrean border issue and Ethiopia's attempts to improve internal governance.

DEMOCRACY AND HUMAN RIGHTS

¶2. (SBU) Charge Huddleston and European ambassadors continue to facilitate an ongoing political dialogue between the ruling party and leaders of the Coalition for Unity and Democracy (CUDP), United Ethiopian Democratic Forces (UEDF) and Oromo Federal Democratic Movement (OFDM). Party representatives, supported by comparative studies funded by the U.S. and other donors, will soon begin discussions on reforms to strengthen the Parliament. They are scheduled to take up similar reforms of the National Electoral Board as well as the legal framework for the media in the coming weeks. These talks appear to be making progress. The U.S. strategy since last year has been to press the opposition and government alike to strengthen the democratic process. Apart from nurturing talks on institutional reform, another challenge is convincing the EPRDF to further reduce harassment of opposition party activists in rural areas.

¶3. (C) The GOE's handling of the ongoing CUD trial, which is being followed closely by both the Ethiopian public and the international community, remains another key variable in Ethiopia's fragile democratization process. Access to the trial for international observers and treatment of prisoners have been adequate. The USG will fund an expert trial

observer from Lawyers Without Borders. Evidence presented by prosecutors over the last four months, however, has so far failed to convince international observers that CUD leaders conspired to overthrow the government by violent means. Videos shown in court have depicted a CUD leadership determined to press for immediate progress on institutional reform, but committed to peaceful methods. We have discussed the weakness of the evidence with GOE leaders and have suggested reducing or dropping some of the charges on at least some of the defendants, allowing bail or humanitarian parole. Prime Minister Meles is adamantly opposed. The best we can hope for is a pardon after the verdict. Reconciliation could occur if detained CUD leaders would commit to be part of the democratic process. This has not happened yet. Meanwhile, several detainees have been receiving medical treatment while in custody. The trial is likely to continue for several more months, after the courts reconvene in October.

BORDER DISPUTE

14. (C) The U.S. continues to work closely with the parties to resume demarcation of the border and promote an eventual normalization of relations. Though dialogue seems to have stalled after both sides chose not to send representatives to the August 24 EEBC meeting in London, Secretary Rice is asking both partners to restart talks on demarcation and open separate discussions on related issues. For now, however, the GOE remains deeply skeptical that Isaias wants peace or normalization. In fact, the Eritrean government is providing money, weapons, and other support to a number of the GOE's internal and external enemies. Meles, for his part, appears

ADDIS ABAB 00002609 002 OF 004

sincere in his desire to end the Cold War with Eritrea, though he is unwilling to agree to demarcation without discussions on the border. The PM says he is not concerned about further down-sizing or even the disappearance of UNMEE. He claims that neither UNMEE nor the EEBC is ultimately necessary or important in bringing peace; what matters is continuing USG engagement, albeit with less intensity, in order to provide Isaias with "a ladder to climb down" when he is ready.

COUNTERTERRORISM/CJTF-HOA

5.(C) Ethiopia is committed to the war on terrorism and is cognizant of its strategic role in the Horn of Africa. The Ethiopian National Defense Forces (ENDF) has been a solid partner with the U.S. in the war on terrorism. However, relations between the ENDF and CJTF-HOA have been complicated beginning in May by the ENDF offensive to eliminate the insurgent group Ogaden National Liberation Front (ONLF) in Ethiopia's Somali region. These operations have prompted the ENDF to request a temporary curtailment of CJTF-HOA civil affairs activities in the Ogaden. ENDF Chief of General Staff Lt. General Samora Yonus suggested that HOA civil affairs activities are inadvertently "helping" the ONLF. Somora requested that CJTF-HOA temporarily leave the Ogaden region while the ENDF continues its counter-offensive. CJTF-HOA's work in response to the recent humanitarian disaster in Dire Dawa, however, serves as an excellent example of how it can work in concert with the ENDF to achieve mutual goals. The Prime Minister has told the Charge and RADM Hunt that he continues to value the work of CJTF-HOA and wants to expand it when current military operations in the Somali region are curtailed.

SOMALIA

16. (C) PM Meles has conveyed to the Charge his concerns over the recent victories of the Islamic Courts Union (ICU) in Somalia. Meles views the ICU as extremist and a significant

threat to Ethiopia; most informed observers in Addis agree with this assessment. Meles believes that if the ICU cannot continue to expand its control in Somalia, internal divisions will split and eventually weaken it. If the ICU attacks Baidoa, Ethiopia will respond militarily and attempt to keep the ICU bottled up in Mogadishu. There are widespread reports that the ENDF has already placed several hundred troops into Somalia to support the Transitional Federal Government (TFG) in Baidoa. The PM believes that an IGAD peace support mission with proposed contingents from Uganda could shore up the fragile TFG. The PM and other EPRDF officials will be eager to discuss U.S. policy on Somalia; they, like their regional partners, want the arms embargo lifted so the TFG can defend itself. Ethiopia has a strong desire to cooperate with the international community to stop the expansion of the ICU.

AFRICAN UNION: PUSHING FOR UN PKO IN DARFUR

¶17. (U) Heads of state representing the 15-member African Union Peace and Security Council (PSC) met September 20 on the margins of the UN General Assembly in New York, and agreed to extend the current mandate of the AU Mission in Sudan (AMIS) to the end of December 2006. The AU had previously threatened to withdraw AMIS upon the expiration of its mandate on September 30. The PSC also adopted a new AMIS concept of operations (CONOPS), which calls for strengthening AMIS through the addition of two battalions from Nigeria and Rwanda.

¶18. (SBU) On September 19, the White House announced the appointment of former USAID Administrator Andrew Natsios as the President's Special Envoy for Sudan, covering both Darfur and the North-South conflict. Continued engagement with the GOS, by senior AU officials and others, will be necessary to effect transition from an AU-led to a UN peacekeeping operation in Darfur, in accordance with UN Security Council Resolution 1706.

¶19. (C) AU officials report deteriorating security in Darfur,

ADDIS ABAB 00002609 003 OF 004

as the GOS continues aerial attacks on areas controlled by non-signatories to the Darfur Peace Agreement, in an ongoing offensive involving the deployment of an estimated 6,000-10,000 additional GOS troops in Darfur. AMIS continues to be plagued by logistical and security challenges: e.g., AMIS aerial operations were recently grounded due to the AU's inability to pay its sole aviation fuel contractor, who also provides fuel to the GOS. The recent appointment of MG Luke Aprezi, former Chief of Operations of the Nigerian Armed Forces, to replace MG Cru Ihekire as AMIS Force Commander, should help address serious command and control issues hampering AMIS.

¶10. (SBU) The USG is currently contributing 8 military observers to AMIS, out of an authorized U.S. total of 32. Two USG advisor/experts (J-2 and J-9) seconded to the AMIS Forward Joint Mission Headquarters (FJMHQ) have completed their rotation and are due to be replaced; a third U.S. military officer serves as the USG representative to the Ceasefire Commission. In addition, two US billets at the AMIS Joint Logistics Operations Center (JLOC) remain unfilled. Outstanding AU requests for partner experts to conduct "lessons learned" analysis and to provide training on disarmament, demobilization, reintegration and rehabilitation (DDRR) will likely be addressed by NATO and the UK respectively.

¶11. (SBU) In addition to supporting AMIS, the USG is providing a contract logistics advisor to AU Commission headquarters, participating in ongoing harmonization efforts for the African Standby Force, and will provide communications upgrades (e.g., EUCOM Coalition Chat Line) to the AU's Situation Room.

¶12. (SBU) USG engagement with the African Union will likely increase with the September 21 confirmation of Dr. Cindy Courville as U.S. PermRep to the African Union, to lead a separate U.S. Mission to the African Union (USAU), in Addis Ababa. Current USAU staffing does not include any military liaison officer to the AU. The National Defense University's African Center for Strategic Studies (ACSS) is expected to establish a two-person office in Addis Ababa in October.

ECONOMIC OVERVIEW

¶13. (U) Ethiopia remains one of the poorest countries in the world. Ethiopia's GDP for 2005 is estimated at USD 8.5 billion, with an annual per capita GDP of USD 100. Since the early 1990's, Ethiopia has pursued a development strategy based on a mixed economy of both state and private enterprises. While the private sector role is expanding, the state remains heavily involved in most economic sectors, and parastatal and party affiliated companies continue to dominate trade and industry, hampering full and free competition. In addition, increasingly frequent cycles of drought, high population growth, and inefficient agricultural markets all act as a drag on Ethiopia's economic development.

Agriculture contributes 42 percent to the GDP and employs 80 percent of Ethiopia's 74 million people. Nearly all agricultural production is rain-fed and small-scale, and thus vulnerable to drought. Though GOE economic policies have been improving gradually, greater economic liberalization and reduction of population growth are critical to reducing poverty and increasing food security.

¶14. (SBU) The economy grew by 7.3 percent in 2005, and the inflation rate was 6.8 percent. In 2005, Ethiopia's exports grew by over 30 percent, in part due to higher world coffee prices. Major exports include coffee, oil seeds and pulses, and hides and skins, though non-traditional exports such as flowers have increased significantly over the past few years.

Imports increased even faster than exports however, resulting in a growing trade deficit and increased risk of a balance of payments crisis. The private sector has experienced some difficulty in securing hard currency for imports in recent months. Ethiopia currently has no IMF program, but the USG has urged that it establish one. Ethiopia formally applied for WTO membership in January of 2003, but has since moved slowly on the accession process. The USG, through USAID, is providing technical assistance on WTO accession and strongly supports the process as a tool to

ADDIS ABAB 00002609 004 OF 004

promote reforms and enhance food security. Ethiopia participated in the enhanced Highly Indebted Poor Countries (HIPC) initiative and G8 Multilateral Debt Relief Initiative.

The U.S. and Ethiopia signed a bilateral debt agreement in 2004 that provided 100 percent cancellation of Ethiopia's debt to the United States.

DEVELOPMENT ASSISTANCE

¶15. (U) In coordination with donors, the GOE is finalizing its 2006-2010 Plan for Accelerated and Sustainable Development to End Poverty in Ethiopia (PASDEP). In addition to continuing poverty reduction strategies in areas such as human development, rural development, capacity building, and food security, the new development plan will increase commercialized agriculture, promote greater private sector participation in the economy, and scale-up efforts to achieve the Millennium Development Goals. Ethiopia has increased primary education to over 70 percent coverage over the last decade and has also adopted more effective policies to promote family planning and combat HIV/AIDS.

¶16. (SBU) The United States provides both developmental and humanitarian assistance to Ethiopia, though we do not provide

direct budget support (DBS). In 2005, we provided USD 465 million in food aid, roughly 200 million for health, education and governance projects, as well as 75 million through the President's Emergency Plan for AIDS Relief (PEPFAR). Our objective is to help the Ethiopian government and people construct safety nets so that they will be less vulnerable to drought, disease and famine. In 2006 USAID developed a new initiative meant to protect the livelihoods of pastoralists in the Somali region. As a result of post-election events in Ethiopia, donors providing direct budget support, including, among others, the World Bank, European Commission, the UK, and Canada, agreed to suspend DBS. These funds have been reprogrammed through a new program, the Protection of Basic Services Grant, which includes more targeted, tightly monitored aid at the regional and district level. The re-initiation of donor support, including a 600 million dollar World Bank program, has been a tremendous relief to the GOE and has eased some of the financial crunch it was facing.

¶17. (U) The USG is cooperating closely with other donors to strengthen democratic institutions such as Parliament, the National Electoral Board, the media and civil society. Current USG resources for this purpose total approximately USD 4 million. Restoring public confidence in these institutions will be essential to deepening democracy and maintaining peace and stability at the heart of the Horn of Africa.

HUDDLESTON